

TOWN OF LUNENBURG

BOARD OF SELECTMEN

17 Main Street, PO Box 135
Lunenburg, MA 01462-0135

Thomas A. Alonzo, Chairman
Paula J. Bertram, Vice-Chairman
Steven M. deBettencourt, Clerk
Thomas J. Mason, Member
David J. Matthews, Member



978-582-4144, FAX 978-582-4148

Office Hours

Mon, Wed, Thu. 8:00AM – 4:00PM

Tues. 8:00AM - 6:30PM

Fri. 8:00 AM – 12:30 PM

Kerry A. Speidel

Chief Administrative Financial Officer

Laura B. Williams

Chief Administrative Assistant

MEMORANDUM

To: Board of Selectmen
Finance Committee

From: Kerry A. Speidel, Chief Administrative & Financial Officer

Subject: FY2010 Proposed Budget Proposal

Date: February 6, 2009

Updated February 26, 2008 & March 26, 2009

Please accept this memorandum as my Proposed Budget Proposal for FY2010. The Proposed Budget, as presented, is balanced, but provides a reduction in service levels over the current year. A great deal of effort was made to insure that our core services- Education, Fire, Police and Public Works, be held as close to level as possible; however, this was done at the expense of all other departments. There has been nothing easy about crafting a proposal this year, and all recommendations have been made after a great deal of consideration. In the end, decisions have been made based upon what seems most fair given the current economic climate.

This balanced budget proposal is based upon use of recurring revenues for operating costs, meaning there is no request for a draw on either Free Cash or the Stabilization Fund. Additionally, there will be no request for an Override to support any part of this proposal.

Last October, I presented you with a Five Year Financial Forecast that showed that if we continued to grow at our trend rate, we would be facing a \$1.7 million deficit in FY2010, and growing to \$3.2 million by FY2014. By assuming level funding for all departments, while still meeting our legal and contractual obligations, such as debt service, retirement assessment and employee benefits, and using the State Aid estimates provided, we were able to reduce that projected deficit of \$1.7 million down to approximately \$700,000. Through a series of budget reductions, coupled with some fee increases, I have been able to provide you with this balanced budget proposal.

The following overview is presented for your consideration.

Revenue

The Town's budget is made up of four- (4) categories of revenue: Property Tax; State Aid; Local Receipts; and Available Funds.

1. **Property Tax** is determined as follows:

Prior Year Base x 2.5% + allowance for New Growth

On top of that, you add the amount needed to be raised to pay exempt debt service. State Law requires that you assume a 100% collection rate. Based upon this calculation, I have estimated Property Tax for FY2010 at \$17,396,589, which is an increase of \$480,839, or 2.84%. You will note a decrease in the New Growth projection, which is consistent with our building permit activity.

		FY2009	FY2010		
		Appropriated	Budget	Difference	% Increase
Revenue			CAFO		
Property Tax					
	Prior Year Levy Limit	\$ 15,368,583	\$ 15,890,966	\$ 522,383	3.40%
	2 1/2% Increase	\$ 384,215	\$ 397,274	\$ 13,060	3.40%
	New Growth	\$ 138,168	\$ 122,375	\$ (15,793)	-11.43%
	Debt Exclusions	\$ 1,024,784	\$ 985,974	\$ (38,810)	-3.79%
total:		\$ 16,915,750	\$ 17,396,589	\$ 480,839	2.84%

2. **State Aid**, also known as Cherry Sheet, is the amount of funding each community receives from the Commonwealth to help fund Education and General Government Services. Based upon House 1, the Governor's FY2010 Budget Proposal, Lunenburg will receive a total of \$6,282,323 in aid, which is an overall reduction of \$303,741, or 4.61%. As mentioned previously, this reduction is less than originally anticipated, but is still very significant. A total of \$149,543 of this aid, or 2.4%, comes in the form of revenue from increases in both the Meals and Rooms Tax, which have yet to receive legislative approval. I have chosen to exclude this amount from our State Aid estimate, as I am not confident that this additional aid will materialize. Should I be wrong, I would suggest holding any additional amount received in reserve in the event that the State needs to make mid-year adjustments once again in FY2010. As such, I have included an estimate of State Aid in the amount of \$6,132,780, which is a reduction of \$453,284, or 6.88% over the current fiscal year.

Revenue	FY2009 Appropriated	FY2010 CAFO February	FY2010 CAFO March	Difference	% Increase
State Aid					
Chapter 70	\$ 4,620,790	\$ 4,620,790	\$ 4,620,790	\$ -	0.00%
Charter Tuition Reimbursements	\$ 35,158	\$ -	\$ -	\$ (35,158)	-100.00%
Charter School Capital Facility Reimb		\$ -			
School Lunch	\$ 9,175	\$ 10,219	\$ 10,219	\$ 1,044	11.38%
School Choice Receiving Tuition	\$ 420,948	\$ 376,104	\$ 376,104	\$ (44,844)	-10.65%
Lottery	\$ 1,316,140	\$ 940,670	\$ 940,670	\$ (375,470)	-28.53%
Gaming Proceeds for Lottery Cap	\$ -	\$ -	\$ -	\$ -	
Revenue from Meals Tax Increase	\$ -	\$ 125,247	\$ -	\$ -	
Revenue from Rooms Tax Increase	\$ -	\$ 24,296	\$ -	\$ -	
Additional Assistance	\$ -	\$ -	\$ -	\$ -	
Police Career Incentive (Quinn Bill)	\$ 64,065	\$ 48,732	\$ 48,732	\$ (15,333)	-23.93%
Veteran's Benefits	\$ -	\$ 14,121	\$ 14,121	\$ 14,121	
Veterans Exemption	\$ 27,025	\$ 27,025	\$ 27,025	\$ -	0.00%
Elderly Exemption	\$ 28,614	\$ 31,835	\$ 31,835	\$ 3,221	11.26%
State Owned Land	\$ 47,823	\$ 47,752	\$ 47,752	\$ (71)	-0.15%
Libraries	\$ 16,326	\$ 15,532	\$ 15,532	\$ (794)	-4.86%
total:	\$ 6,586,064	\$ 6,282,323	\$ 6,132,780	\$ (453,284)	-6.88%

2. **Local Receipts** are those fees, fines, licenses, permits and excise taxes that are collected on a local level. These revenues are generally referred to as elastic revenues as they are highly susceptible to fluctuations in the economy. We have been very fortunate in that our mainstay, Motor Vehicle Excise, has remained healthy throughout this poor economy. Unfortunately, we are now seeing a decrease in commitment amounts, as fewer and fewer people are purchase new and/ or expensive vehicles. Our first commitment of the Calendar Year, generally our indicator of how the year will go, was down approximately \$100,000. As a result, I had originally lowered the estimate for this receipt by 20%, or \$266,000. However, since preparing my original budget proposal, we have received the Second Commitment of the year and that is up \$48K over last year's Second Commitment, or 43%, therefore, I have revised my Motor Vehicle Excise estimate to a reduction of 15% rather than 20% over the current year. This results in a decrease of \$199,500, rather than \$266,000. A significant decrease in Licenses & Permits is also expected based upon the number of Building Permits being issued in the current year. Additionally, a decrease is expected in Investment Income receipts due to the completion of the Meadow Woods Construction Project and a general reduction in idle funds. On a positive note, I will be presenting the Board with a request to increase several departments fees in order to bring them in line with what other communities are charging, most notably will be a revamping of Ambulance Fees, which is expected to generate an additional \$80,000 annually.

Below is a chart comparing Local Receipts between FY2010 and 2009.

	FY2009	FY2010	FY2010		
	Appropriated	CAFO	CAFO	Difference	% Increase
Revenue		February	March		
Local Receipts					
Excise	\$ 1,330,000	\$ 1,064,000	\$ 1,130,500	\$ (199,500)	-15.00%
New Construction	\$ -	\$ -	\$ -	\$ -	
Interest & Demands	\$ 65,000	\$ 60,000	\$ 60,000	\$ (5,000)	-7.69%
Penalties	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	0.00%
PILOT	\$ 1,600	\$ 1,600	\$ 1,600	\$ -	0.00%
Fees	\$ 135,000	\$ 135,000	\$ 135,000	\$ -	0.00%
Departmental Revenue	\$ 376,000	\$ 376,000	\$ 376,000	\$ -	0.00%
Licenses & Permits	\$ 200,000	\$ 130,000	\$ 130,000	\$ (70,000)	-35.00%
Ambulance Increase		\$ 80,000	\$ 80,000	\$ 80,000	
Court Fines	\$ 65,000	\$ 65,000	\$ 65,000	\$ -	0.00%
Charges	\$ 26,000	\$ 26,000	\$ 26,000	\$ -	0.00%
Interest Income	\$ 200,000	\$ 160,000	\$ 160,000	\$ (40,000)	-20.00%
Miscellaneous, Recurring				\$ -	
Miscellaneous, Non-Recurring	\$ -			\$ -	
Bond Premium			\$ -		
total:	\$ 2,418,600	\$ 2,117,600	\$ 2,184,100	\$ (234,500)	-9.76%

3. **Available Funds** is really a “catch all” category. Many available funds are one-time revenues, which cause a wide variance from the total amount available from one year to the next. The following is a list of what is expected to be available to help fund the FY2010 Budget. Over the past few weeks, we have received information regarding funds to be received from the American Recovery and Reinvestment Act (ARRA) of 2009, also referred to as the Federal Stimulus Plan. These funds will become available as early as the end of the current fiscal year and will be available in FY2010 and in some cases again in FY2011. These are non-recurring funds, however, and care should be given in determining how they are spent. To date, all ARRA funds are targeted toward education spending as follows.

- Fiscal Stabilization Fund \$328,911
- IDEA – School Age \$216,906
- IDEA – Pre-K \$ 8,439

The Schools will also be receiving an additional Title 1 allocation for FY2010 and 2011, which is anticipated to be around \$250,000. Additional information regarding these funding sources is expected out within the next several weeks.

Revenue	FY2009 Appropriated	FY2010 CAFO February	FY2010 CAFO March	Difference	% Increase
Available Funds					
Overlay Surplus	\$ 23,109	\$ -	\$ -	\$ (23,109)	-100.00%
ARRA Funding- School		\$ -	\$ 121,950		
Free Cash	\$ 316,838	\$ -	\$ -	\$ (316,838)	-100.00%
Unexpended Articles	\$ 38,034	\$ 27,602	\$ 27,602	\$ (10,432)	-27.43%
Borrowing	\$ 249,960	\$ -	\$ -	\$ (249,960)	-100.00%
Stabilization Fund	\$ -	\$ -	\$ -	\$ -	
SBA Reimbursement	\$ 586,561	\$ 586,561	\$ 586,561	\$ -	0.00%
Sewer Enterprise	\$ 30,715	\$ 30,715	\$ 30,715	\$ -	0.00%
Sewer Betterments	\$ 732,848	\$ 722,956	\$ 722,956	\$ (9,892)	-1.35%
Medicare Part D Reimbursement	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.00%
Septic Loan Revenue	\$ 10,872	\$ 10,872	\$ 10,872	\$ -	0.00%
Bond Premium	\$ 1,243	\$ 1,243	\$ 1,243	\$ -	0.00%
total:	\$ 2,020,180	\$ 1,409,949	\$ 1,531,899	\$ (488,282)	-24.17%

Together, I am anticipating an overall decrease in revenue in FY2010 in the amount of \$695,226, or 2.49%.

Revenue	FY2009 Appropriated	FY2010 CAFO February	FY2010 CAFO March	Difference	% Increase
Property Tax	\$ 16,915,750	\$ 17,396,589	\$ 17,396,589	\$ 480,839	2.84%
State Aid	\$ 6,586,064	\$ 6,282,323	\$ 6,132,780	\$ (453,284)	-6.88%
Local Receipts	\$ 2,418,600	\$ 2,117,600	\$ 2,184,100	\$ (234,500)	-9.70%
Available Funds	\$ 2,020,180	\$ 1,409,949	\$ 1,531,899	\$ (488,282)	-24.17%
total:	\$ 27,940,594	\$ 27,206,461	\$ 27,245,367	\$ (695,226)	-2.49%